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May 10, 2002

FILE NO. 0261 61 -0000

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Policy Division
International Bureau

VIA MESSENGER

Federal Communications Commission
International Bureau - Telecommunications
P.O. Box 358115
Pittsburgh, PA 15251-5115

Re: Domestic Section 214 Transfer Application

Ladies and Gentlemen:

Enclosed on behalf of U.S. TelePacific Corp. d/b/a TelePacific Communications, are an original and two copies of an Domestic Section 214 Transfer Application.

Also enclosed is a Remittance Advice (FCC Form 159), and a check made payable to the Federal Communications Commission in the amount of \$815.00 to cover the required filing fee.

In the event there are any questions concerning this matter, please contact the undersigned at (202) 637-1026.

Sincerely yours,



Alexander D. Hoehn-Saric

Enclosures

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READ INSTRUCTIONS CAREFULLY
BEFORE PROCEEDING

FEDERAL COMMUNICATIONS COMMISSION
REMITTANCE ADVICE

Approved by OMB
3060-0589
Page No **1** of **1**

(1) LOCKBOX #

358115

SPECIAL USE

FCC USE ONLY

SECTION A - PAYER INFORMATION

(2) PAYERNAME (if paying by credit card, enter name exactly as it appears on your card)

U.S. TelePacific Corp. d/b/a TelePacific Communications

(3) TOTAL AMOUNT PAID (U.S. Dollars and cents)

\$815.00

(4) STREET ADDRESS LINE NO. 1

515 S. Flower Street, 47th Floor

(5) STREET ADDRESS LINE NO. 2

(6) CITY

Los Angeles

(7) STATE

CA

(8) ZIP CODE

90071

- 2201

(9) DAYTIME TELEPHONE NUMBER (include area code)

(213)213-3000

(10) COUNTRY CODE (if not in U.S.A.)

FCC REGISTRATION NUMBER (FRN) AND TAX IDENTIFICATION NUMBER (TIN) REQUIRED

(11) PAYER (FRN)

0003-7338-13

(12) PAYER (TIN)

95-4593876

IF PAYER NAME AND THE APPLICANT NAME ARE DIFFERENT, COMPLETE SECTION C
IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C)

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(13) APPLICANT NAME

MAY 16 2002

(14) STREET ADDRESS LINE NO. 1

**Policy Division
International Bureau**

(15) STREET ADDRESS LINE NO. 2

(16) CITY

(17) STATE

(18) ZIP CODE

(19) DAYTIME TELEPHONE NUMBER (include area code)

(20) COUNTRY CODE (if not in U.S.A.)

(21) APPLICANT (FRN)

(22) APPLICANT (TIN)

(26A) FEE DUE FOR (PTC)

\$815.00

(27A) TOTAL FEE

\$815.00

FCC USE ONLY

(28A) FCC CODE 1

(29A) FCC CODE 2

(238) CALL SIGN/OTHER ID

(248) PAYMENT TYPE CODE

(25B) QUANTITY

(268) FEE DUE FOR (PTC)

(27B) TOTAL FEE

FCC USE ONLY

(28B) FCC CODE 1

(29B) FCC CODE 2

SECTION D - CERTIFICATION

(30) CERTIFICATION STATEMENT

(31)

MASTERCARD/VISA ACCOUNT NUMBER

EXPIRATION

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MAY 16 2002

Policy Division
International Bureau

Before the
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of

Application of U.S.
TelePacific Corp. for
Transfer of Control

)
)
)
)
)
)

File No. _____

DOMESTIC SECTION 214 TRANSFER APPLICATION

Pursuant to Section 214 of the Communications Act of 1934, as amended (the "Act"), 47 U.S.C. § 214, U.S. TelePacific Corp. d/b/a TelePacific Communications ("TelePacific" or the "Applicant") hereby applies for FCC consent to transfer control of the domestic, interstate operations of TelePacific.

The Applicant is aware that the final rules authored and released by the Commission in the Domestic 214 Order will not become effective until 30 days after their publication in the Federal Register, and further that the proposed rules will not become effective until after approval by the Office of Management and Budget.¹ However, this application has been drafted in accord with the new rules, and as discussed in detail below, TelePacific believes that the new streamlined procedures would presumptively apply to this transaction under proposed Commission Rule 63.03(b)(2)(i). Therefore, TelePacific respectfully requests expedited treatment of this application?

¹

See In the Matter of Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations, CC Docket No. 01-150, FCC 02-78 (rel. March 21, 2002) ("Domestic 214 Order"). The Domestic 214 Order was published in the Federal Register on April 17, 2002. *See 67 Fed. Reg.* 18827 (Apr. 17, 2002).

²

TelePacific has also submitted the filing fees required under Section 1.1105 of the Commission's rules.

I. INTRODUCTION AND TRANSACTION DESCRIPTION

TelePacific is a California corporation that provides local exchange and long distance services, international services, high-speed Internet access, web hosting and unified messaging to consumers in California and Nevada. TelePacific began operations in **1998** and primarily focuses on offering its range of communications services to small- and medium-sized business customers. TelePacific is a wholly owned subsidiary of U.S. TelePacific Holdings Corp. (“Holdings”), a Delaware corporation.

SIPCO Limited (“SIPCO”), a corporation organized under **the** laws of the Cayman Islands, is a holding company that operates for the benefit of the management of Investcorp **SA** (“Investcorp”) and its various subsidiaries and affiliates. Investcorp is organized under the laws of Luxembourg and is engaged in the business of investing and investment banking. SIPCO may be deemed to control Investcorp through its ownership of a majority of the stock of a company that indirectly owns a majority of Investcorp’s outstanding stock. Prior to the Offering (**as** defined below), Investcorp held shares in Holdings through two entities organized under the laws of the Cayman Islands for the purpose of holding investments in TelePacific: (1) TelePacific Holdings Limited (“THL”); and (2) Investcorp TPC Limited Partnership (“ITPC”). TelePacific Investments Limited (“TIL”), **a** Cayman Islands corporation, is the sole general partner in ITPC. For purposes of this application, each of these entities can **be** deemed to be controlled by Investcorp due to the combination of Investcorp’s **own** indirect

equity holdings and **as** a result of management agreements with other investors that can be deemed to confer *de facto* control for purposes of **this** application.”

In order to raise additional capital, Holdings offered to its existing shareholders and related parties the opportunity to increase their equity interest in the company through the purchase of preferred stock (the “Offering”). The Offering allowed such investors to purchase Series D preferred stock in Holdings. In addition, the Offering caused adjustments to the anti-dilution provisions of existing securities that resulted in the adjustment of the conversion rates of existing Holdings securities. As a result, for example, Series C preferred shares are now convertible into a greater number of shares of common stock than was the case prior to the Offering.

Investcorp formed a new Cayman Islands company, TelePacific Equity Limited, as its vehicle for participating in the Offering. Based on the additional investment and the associated anti-dilution adjustments, the Offering results in a change of control in which entities that can be deemed to be controlled by SIPCO will obtain control of TelePacific. Pursuant to the terms of the Offering, however, SIPCO and its affiliates (including Investcorp) do not have the right to exercise management control of TelePacific until necessary regulatory approvals have been obtained.

³ None ~~of~~ these other equity holders individually has a 10% or greater interest in TelePacific, Holdings, THL, ITPC, or TIL. In addition to Investcorp’s ownership interests held by THL and ITPC, three individuals affiliated with those companies are directors of Holdings and TelePacific.

Prior to the Offering, no single shareholder exercised either defacio or *de jure* control of TelePacific. The entities with a 10% or greater interest in Holdings prior to the Offering are indicated below:

THL	23%
David P. Glickman (including through Mr. Glickman's interests in Milestone Ventures LCC Culver Holdings Corporation)	23%
Rader Reinfrank Holdings No. 3	16%
GE Capital Equity Investments, Inc.	12%

In addition, ITPC held a 6% equity interest in Holdings. Attached hereto as Exhibit A is a summary organizational chart that illustrates these pre-Offering interests in Holdings.

The new ownership structure created by consummation of the Offering includes the following entities with a 10% or greater interest in Holdings:

THL	46%
TelePacific Equity Limited	16%
ITPC	12%

Attached hereto as Exhibit B is a **summary** organizational chart that illustrates these post-Offering interests in Holdings. Under this new structure, **SIPCO** (through Investcotp) can be deemed to control an aggregate interest of **74%** in Holdings, which would give it effective control over TelePacific once the necessary regulatory approvals have been obtained. After consummation of the Offering, no party other than those listed above will hold a **10%** or greater ownership interest in Holdings.

II. APPLICANT INFORMATION

Applicant hereby provides the following information relevant to the domestic application for FCC consent to transfer control of the domestic, interstate operations of TelePacific.

1. Name Address and Telephone Number of Applicant

(a) **U.S. TelePacific Corp.**
515 S. Flower Street, 47th Floor
Los Angeles, California 90071-2201
(213) 213-3000

2. Place of Corporate Organization

TelePacific is organized under the laws of the state of California.

3. Contact Information

Correspondence concerning this application should be addressed to:

Erich Everbach
Secretary and General Counsel
U.S. TelePacific Corp.
515 S. Flower Street, 47th Floor
Los Angeles, California 90071-2201
(213) 213-3690

with a copy addressed to:

Karen Brinkmann
Alexander Hoehn-Saric
Latham & Watkins
555 11th Street, N.W.
Suite 1000
Washington, DC 20004
(202) 637-2200

4. Equity Ownership of TelePacific

The name, address, citizenship and principal business of the direct or indirect holders of at least 10% of the equity of TelePacific following the consummation of the Offering are as follows:

TelePacific is a wholly owned subsidiary of Holdings, a Delaware corporation, with a business address of **515 S. Flower Street, 47th Floor, Los Angeles, California 90071-2201.**

The new ownership structure created by consummation of the Offering includes the following entities with a 10% or greater interest in Holdings:

Name and Address	Citizenship	Principal Business	Percentage
THL d/o Investcorp SA, 6 rue Adolph Fischer, L-1520	Cayman Islands	Investing	46%
TelePacific Equity Limited c/o Investcorp SA, 6 rue Adolph Fischer, L-1520 Luxembourg	Cayman Islands	Investing	16%
ITPC d/o Investcorp SA, 6 rue Adolph Fischer, L-1520 Luxembourg	Cayman Islands	Investing	12%

Name and Address	Citizenship	Principal Business	Percentage
Nemir A. Kirdar d/o Investcorp SA, 6 rue Adolph Fischer, L-1520 Luxembourg	Turkish	Private Individual	12%

5. Certification Pursuant To Rules 1.2001 Through 1.2003

Applicant certifies, pursuant to Sections 1.2001 through 1.2003 of the Commission's Rules, that no party to the application is subject to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 853a.

6. Description of the Transaction

A detailed description of the transaction is set forth in Section I of the application above.

7. Description Of The Types Of Services The Parties Provide And The Locations Where Those Services Are Provided

TelePacific is a competitive local exchange carrier ("CLEC") offering facilities-based local exchange and exchange access services, long-distance telephone services, as well as additional services such as high speed Internet access and unified messaging. TelePacific is authorized to offer telecommunications services in California and Nevada and currently operates in the Los Angeles, Orange County, San Diego, San Francisco, San Jose and Las Vegas markets.

8. Expedited Treatment

The Applicant is not dominant with respect to any service offered. Therefore, under Section 63.03(b) of the Commission's rules as set forth in the Domestic 214 Order, the Commission's streamlined procedures would apply to this transfer of control application if that rule was in effect. Granting expedited treatment of this application will further serve the public interest by allowing Applicant to transition smoothly and continue operations of and improvements to the company. This will enhance TelePacific's services to its customers and promote competition in the market. Therefore, TelePacific requests expedited treatment of this application.

9. Other Applications Pending Or ~~To~~ Be Filed With the Commission Related ~~To~~ the Same Transaction

An international Section **214** authorization application is being filed with the Commission in connection with the Offering described herein.

10. Special Consideration

Applicant is not seeking special consideration of this application based on any financial considerations.

11. Waivers

No waiver requests are being sought in conjunction with the Offering.

12. Statement of Public Interest, Convenience and Necessity

By granting this application, the Commission will serve the public interest, convenience and necessity. One of the primary purposes of the Telecommunications Act of 1996 is to eliminate barriers to competition in the local telecommunications market. Following passage of the Telecommunications Act, **a** number of companies emerged as competitors to the incumbent local exchange carriers. Due to the recent economic downturn of the financial markets and the general slowing of the economy, however, financing for **CLECs** has dropped significantly from previous levels. The result of ~~these~~ financial difficulties **has** been that many CLECs have failed within the last year, resulting in fewer competitors in local markets.

Despite the difficult market, TelePacific has continued to offer its wide range of competitive services to consumers. The Offering provides additional capital to TelePacific, which will facilitate TelePacific's provision of these services to its customers and increase TelePacific's ability to compete in the market. **As** a result, telecommunications services in the areas that TelePacific currently serves and in the markets to which it expands will be enhanced by allowing consumers a greater number of service choices. The Offering facilitates competition


without adversely affecting TelePacific's current customers. The Commission has consistently held that the public interest is served if a proposed transaction would increase competition among market participants. *See, e.g., In-Flight Phone Corp. for Transfer & Control to MCI Telecommunicotiom Corp., Declaratory Ruling and Order*, 10 FCC Red **10448** (1995); *Execuline & Sacramento, Inc. Transferor, and American Sharecorn, Inc. Transferee*, Memorandum Opinion and Order, **6** FCC Red **5964** (1991).

While the Offering technically results in a change of control, the officers and other management of TelePacific remain essentially the same. Customers will experience no disruption in service and will continue to receive the same high quality service from the same individuals. A grant of this application will enable TelePacific to become a more vibrant competitor and therefore is in the public interest.

III. CONCLUSION

Applicant certifies that all of the information in this application and its exhibits is accurate and correct. For the foregoing reasons, the Commission should grant the transfer of control of TelePacific's authority to provide domestic telecommunications services pursuant to Section **214** of the Act.

Respectfully submitted,



Erich Everbach
Secretary and General Counsel

U.S. TELEPACIFIC CORP.
515 S. Flower Street, 47th Floor
Los Angeles, California **90071-2201**
(213) 213-3000

May **9, 2002**

EXHIBIT A

Pre-Offering Ownership Structure

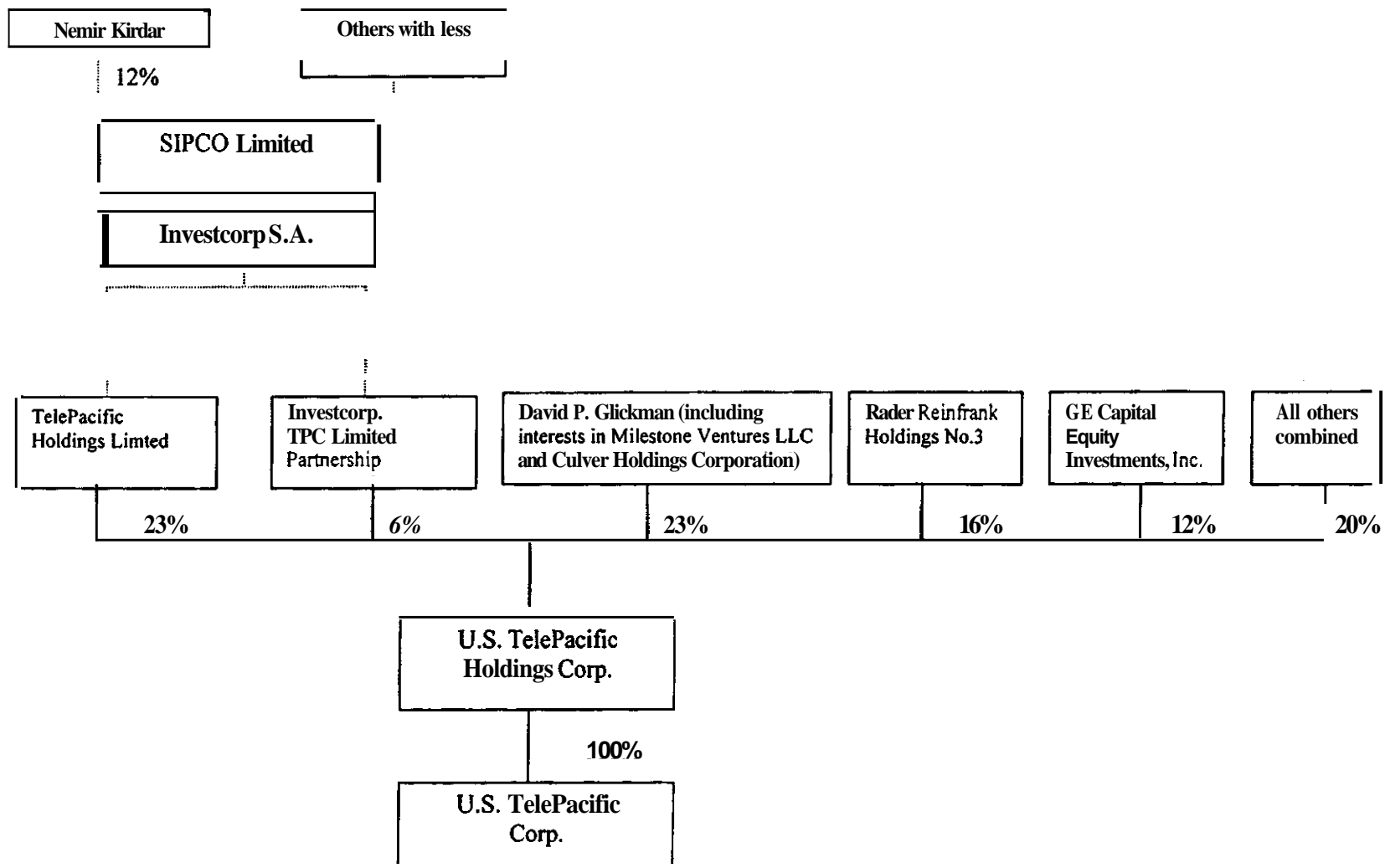


Exhibit B
Post-Offering Ownership Structure

